

**REVIEW OF THE PROJECTED COSTS AND ECONOMIC BENEFITS
ASSOCIATED WITH THE SAN FRANCISCO GIANTS' PROPOSED
BALLPARK AT CHINA BASIN**

PREPARED FOR THE BOARD OF SUPERVISORS

CITY AND COUNTY OF SAN FRANCISCO

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MARCH, 1996

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March 4, 1996

Honorable Tom Ammiano
Honorable Tom Hsieh
and Members of the Board of Supervisors
City and County of San Francisco
401 Van Ness, Room 308
San Francisco, California 94102

Dear Supervisors Ammiano, Hsieh and Members of the Board of Supervisors:

Transmitted herewith is the Budget Analyst's report on the Review of the Projected Costs and Economic Benefits Associated with the San Francisco Giants' Proposed Ballpark at China Basin.

On December 19, 1995, a proposed ordinance was submitted to the Registrar of Voters for the March 26, 1996 election. If approved by the voters, the proposed ordinance, designated Proposition B, would create a special use district in the vicinity of China Basin. The proposed special use district is bounded by 3rd Street, Townsend Street, 2nd Street and the China Basin Channel.

The San Francisco Giants (Giants) proposed Proposition B as the first step toward construction of a privately financed downtown ballpark. Total construction project costs for the ballpark are estimated at \$255 million.

On January 8, 1996, the Board of Supervisors adopted a motion directing the Budget Analyst to analyze any and all costs of the Giants' ballpark proposal. In a later motion, the Board also directed the Budget Analyst to consider the economic benefits of a new ballpark at the China Basin location.

Our review has found that potential costs to the City and County of San Francisco include the areas of Municipal Railway (Muni) transit services, traffic control and security performed by the Police Department and Department of Parking and Traffic, the Port, and various capital projects. However, sufficient information has not been provided to the Budget Analyst to clearly specify the amount of all such costs to the City. Until such time as the environmental review process has been completed and a

long term ground lease between the Giants and the Port has been negotiated and approved, the Budget Analyst is unable to make a definitive calculation of the total costs and benefits to the City.

The Port of San Francisco could face the greatest financial risk, or the possibility of financial gain, under the San Francisco Giants' proposal, depending on the outcome of future negotiations and the extent to which the Port a) recovers any upfront costs for delivery of the site to the Giants for construction, and b) receives a fair market return on the value of the property leased to the Giants. According to the Port, whatever the costs of delivering the site to the Giants, the Port does not have sufficient funds to pay for the initial investment. Instead, the Port intends to negotiate so that the Giants would pay for all such upfront preconstruction costs, and that such financial contributions by the Giants would be recognized through the use of rent credits granted to the Giants over the term of the ground lease between the Port and the Giants. However, it is expected that all such costs are ultimately to be paid by the Giants through lease payments under the long term lease to be negotiated between the Port and the Giants.

The lease negotiation between the Giants and the Port will not take place unless Proposition B is approved by the voters. Since no lease can be approved until a full environmental impact analysis has been prepared and reviewed, the Port has not provided any preliminary cost estimates to the Budget Analyst for the proposed ballpark project.

The Port must acquire or lease a 155,000 square foot parcel of land from Caltrans which is to be included in the ground lease for the ballpark site. Required environmental remediation, due to an expected high level toxic waste at the site, could range from a relatively low cost encapsulation solution to a very expensive, and perhaps prohibitive, cost.

Even after a long term lease is negotiated between the Port and the Giants, and approved by the Board of Supervisors, the project will require additional approval by State agencies who have regulatory responsibility over the Port. For example, the level of toxic cleanup that will ultimately be required will likely be subject to the approval of either the Regional Water Quality Control Board (RWQCB) or the California Environmental Protection Agency - Department of Toxics and Substance Control. In addition, the State Lands Commission will have final approval over the appropriateness of the proposed use of the Port property for a ballpark and over the economic terms of the lease between the Giants and the Port.

In contrast to the potential significant costs which could be incurred by the Port and the unknown outcome of the negotiations between the Port and the Giants regarding the potential cost reimbursements to the Port, based on the information available to the Budget Analyst at this time, it appears that the City's General Fund-supported operations will not incur significant additional costs. We estimate that such General Fund costs would include up to \$300,000 annually (above the costs of providing

current service for baseball games at Candlestick Park) for additional Municipal Railway transit services and some additional traffic control costs, which cannot be estimated at this time, for the San Francisco Police Department and the Department of Parking and Traffic. However these additional General Fund costs may be more than offset by additional General Fund revenues in the amount of approximately \$1.0 million annually from increased Possessory Interest Taxes even after reducing such revenue by amounts necessary to finance Tax Increment Bonds to contribute \$10 million to the project.

Potential capital costs have been identified by a separate draft report on transportation issues prepared by the San Francisco County Transportation Authority, for such items as new Muni buses for expanded service, street improvements and pedestrian overcrossings. Such capital items for expanded or new services are generally paid for from Sales Tax funds dedicated to transportation and transit and other Federal funding sources administered by the San Francisco County Transportation Authority. The Muni estimates that they have a sufficient number of buses to meet projections of initial demand for transit. The Transportation Authority's report also identified a potential need for a garage to provide structure parking in the vicinity of the proposed ballpark, which may not be eligible for State and Federal funds.

The source of funding for the potential capital items identified by the Transportation Authority would be from either the one half cent Sales Tax revenue used to fund most Transportation Authority activities (i.e. "Proposition B" funds) or other, primarily Federal funding sources for capital items that are administered by the Authority. The Authority's report included no specific costs for the potential capital improvements. Also, the Muni estimates that they have a sufficient number of buses to meet projections of initial demand for transit.

In order to deliver a site for the proposed ballpark to the Giants, the following must be accomplished, requiring expenditures that, according to the Port, have not been estimated at this time:

- the property owned by Caltrans, consisting of approximately 155,000 square feet or 26.4% of the 13.5 acre proposed ballpark site (including both Port and Caltrans property), must either be acquired or leased by the Port;
- ten existing Port tenants may be relocated;
- the Port's central maintenance facility must be relocated;
- four structures on or proximate to Pier 46B, totaling 295,602 square feet must be demolished; and,
- toxic conditions on the site must be remediated.

The Port currently has ten tenants on the site, nine of whom have leases with early termination clauses, requiring notices of one to six months with no financial liability to the Port. The tenth tenant, Douglas Broadcasting which leases antenna space on Pier

46B, has a lease termination date of December, 1997. The Port does not anticipate significant expenditures for relocating the ten tenants. The tenants are Adrian Studios, Douglas Broadcasting, Experimental Workshop, Flip Way Products (Maritime), Quayle & Company, Royal Charter (Maritime), South Beach Engine, Westar Marine Services, Knucklehead Inc., and American Airporter.

The Port's maintenance facility currently occupies 135,000 square feet at Pier 46B. The Port has no estimate of the cost to relocate its maintenance facility. If the ballot measure is approved, the Port will locate a suitable site to modify or build a new facility. The Port states that no further analysis of this matter will occur unless or until the ballot ordinance has been approved. In 1989, the Budget Analyst received estimates of up to \$7.0 million for such relocation costs. It is not known whether that \$7.0 million estimate included an amount to construct a new maintenance facility.

In addition to the relocation costs related to the maintenance facility, the current estimate for demolition of the maintenance facility and other structures is not available. In 1989, the Budget Analyst was informed that such estimated demolition costs ranged from approximately \$2.0 million to \$7.0 million in order to demolish the four structures on and near to Pier 46B.

The single largest potential cost factor connected to the use of the 13.5 acre site for a new ballpark will be the need for toxic remediation of the site. The Budget Analyst has discussed the technical alternatives for remediation with independent engineering and environmental health experts. The toxic conditions on the site are the result of the characteristics of the bay fill materials that make up the location and the past uses of the site. The range of alternatives for remediation extend from an "encapsulation" option (or capping of the site prior to construction) to a type of remediation which would require expensive excavation and disposal of all toxic materials found at the China Basin location. Potential costs for encapsulation versus an environmental cleanup requiring significant offsite disposal of toxics, have been presented as approximately \$5.0 million for encapsulation, to as much as \$20 million or more for a full cleanup.

Based on reviews of information developed by the Giants' transportation consultant on origins and destinations of Giants' game attendees, and projections, based on surveys, of Muni ridership to and from games at a China Basin Ballpark, the Muni estimates that increased transit service operating requirements for games to be played at the proposed China Basin Ballpark would be six additional Muni Metro trains and up to ten additional buses to provide "bridge service" from the Market Street corridor to the ballpark. The net cost of this level of service would approximate \$800,000 annually, or \$300,000 annually more than the net cost of service to Candlestick Park.

The Giants have specifically identified one element of public funding as a source in support of the \$255 million ballpark project. The San Francisco Redevelopment Agency will be asked to debt finance, using Tax Increment Bonds, a \$10 million

contribution to the project. To be eligible for such financing, the proceeds from the Tax Increment Bonds must be used for a public purpose. The debt service under Tax Increment financing would be supported by new Possessory Interest Tax revenue that would be created by the project. Possessory Interest Taxes are payable by private businesses using public property for profit-making enterprises; such taxes are payable in lieu of Property Taxes which would normally be paid if the property were not publicly owned. The Assessor has estimated that the proposed ballpark project would produce \$3.5 million annually in increased Possessory Interest Tax revenue.

On February 26, 1996, the Giants released a study that updated a 1993 study of economic impacts of the Giants' baseball franchise in San Francisco. The Budget Analyst has not verified the source data or the accuracy of computations in the updated report on economic impacts. The Giants' study measures the dollar differences of the direct and indirect economic impact of the Giants playing the baseball season in the year 2000 in a new China Basin ballpark in contrast to projections based on the baseball season in the year 2000 being played at Candlestick Park. Direct impacts are based on estimates of spending at the ballpark itself, while indirect benefits incorporate the effects of economic multipliers which measure the extent to which direct spending creates income and additional spending within a local economy, thus "multiplying" the impact of direct spending.

The Giants' study concluded that a new ballpark would initially, when the ballpark is new and attendance is expected to increase dramatically, produce direct economic benefits amounting to \$65.0 million annually (\$22.5 million more than the benefits that would result if the team were to remain at Candlestick Park) for the year 2000, and total economic benefits (including the effect of economic multipliers) of \$124.8 million annually (\$40.2 million more than the benefits that would result if the team were to remain at Candlestick Park). A summary of the results of this study is provided in section VII of this report. After an expected stabilization of attendance at lower levels (2.7 million attendance annually instead of the initial projections of 3.1 million) the Giants' study estimates that the direct economic impact will amount to \$60.1 million annually (\$17.6 million more than the benefits that would result if the team were to remain at Candlestick Park), and that total impact including multiplier effects will approximate \$116.6 million annually (\$32.0 million more than the benefits that would result if the team were to remain at Candlestick Park).

It should be noted that the increased estimated direct and indirect economic impacts appear to largely result from the projected increased attendance levels at the new ballpark.

The Giants' study also points out that the construction of a new ballpark would produce 3,655 jobs with an average duration of four months (during the 28 month construction period) at an average hourly wage, including benefits and taxes, of \$30. In addition, the Giants' study states that ballpark operations will employ between

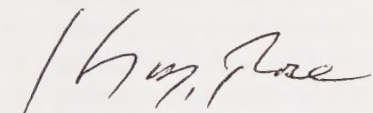
Honorable Tom Ammiano
Honorable Tom Hsieh
and Members of the Board of Supervisors
March 4, 1996
Page 6

1,800 and 2,150 persons per home game, including both full and part time Giants' employees and part time concessionaire employees.

Section VIII of our report addresses direct revenue payments to the City as a result of the Giants' operations. Retention of the Giants in San Francisco will maintain certain direct revenues now being received by the City and County from the Giants playing at Candlestick Park. Using the information presented in the Giants' economic impact analysis study, such direct revenue would increase by between \$471,000 and \$766,000 annually, depending on actual attendance, if a new downtown ballpark were to be constructed and attendance projections are realized.

A written response to our report from the San Francisco Giants can be found beginning on page 17 of this document. In that response, the Giants state that they "agree with (the Budget Analyst's) overall findings that the benefits of the new ballpark far exceed any potential costs associated with the proposed China Basin ballpark". That representation is not the overall finding of the Budget Analyst's report. Instead, as is pointed out many times in our report, and mentioned several times in the Giants' written response, no definitive cost estimates can be made at this time. Without such definitive cost estimates, we believe that any calculation of net benefits remains inconclusive.

Respectfully submitted,



Harvey M. Rose
Budget Analyst

cc: President Shelley
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Supervisor Bierman
Supervisor Kaufman
Supervisor Kennedy
Supervisor Leal
Supervisor Migden
Supervisor Teng
Supervisor Yaki
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TABLE OF CONTENTS

	Introduction.....	1
I.	Port of San Francisco - Costs of Assembling and Delivering the Site to the San Francisco Giants.....	4
II.	Municipal Railway (Muni) Operating Costs.....	7
III.	Recreation and Park Department, Candlestick Park - Changes in Operating Revenues and Costs.....	8
IV.	San Francisco Police Department and Department of Parking and Traffic Operating Costs	9
V.	Possessory Interest Taxes and Tax Increment Financed Contribution to Project of \$10 million through the Redevelopment Agency.....	10
VI.	Potential Capital Costs Identified in the Draft Analysis Conducted by the San Francisco County Transportation Authority.....	12
VII.	Estimated Economic Benefits of the Proposed China Basin Ballpark.....	14
VIII.	Direct Revenue Payments to the City and County of San Francisco.....	16
	Written Response from the San Francisco Giants	17

Introduction

On December 19, 1995, a proposed ordinance was submitted to the Registrar of Voters for the March 26, 1996 election. If approved by the voters, the proposed ordinance, designated Proposition B, would create a special use district in the vicinity of China Basin. The proposed special use district is bounded by 3rd Street, Townsend Street, 2nd Street and the China Basin Channel.

The San Francisco Giants (Giants) proposed Proposition B as the first step toward construction of a privately financed downtown ballpark. The Giants' proposal states that the new ballpark will not require public funds for the construction, except for the investment of tax increment financed bond funds in the amount of \$10.0 million for the project. Such bond funds would be supported by new tax dollars that would be produced by the ballpark project. Total construction project costs for the ballpark are estimated to equal \$255 million.

The special use district would exempt the area from certain Waterfront land use restrictions that were created by Proposition H, as approved by the voters in November, 1990. Such exemptions would permit the construction of a ballpark on the site, but only after several additional actions, which will not require voter approval, are completed. These additional actions include completion of a Environmental Impact Report (EIR), which will require a detailed study of land use, transportation and traffic issues, and the level of environmental cleanup that will be required in connection with construction. Following completion of the environmental review process, and adoption of specific requirements to address any adverse environmental impacts, further necessary actions will include legislative approval by the Board of Supervisors of street vacations (for Berry Street between 2nd and 3rd and 2nd Street between King and the Bay), and approval by the Board of Supervisors of a negotiated lease agreement between the Port of San Francisco (Port) and the Giants of a long term ground lease for the site.

According to the Giants, the ground lease will be based on a determination of the "fair market value" of the site, implying that the Port will be compensated financially in accordance with prevailing market conditions for the economic use, location and condition of the China Basin ballpark site.

On January 8, 1996, the Board of Supervisors adopted a motion directing the Budget Analyst to prepare this report to analyze any and all costs of the Giants' ballpark proposal. In a later motion, the Board also directed the Budget Analyst to consider the economic benefits of a new ballpark at the China Basin location.

We have found that potential costs to the City include the areas of Municipal Railway transit services, traffic control and security performed by the Police Department and Department of Parking and Traffic, the Port, and various capital projects. However, sufficient information has not been provided to the Budget Analyst to clearly specify the amount of all such costs to the City and County of San Francisco. Until such time as the environmental review process has been completed and a long term ground lease between the Giants and the Port has been negotiated and approved, the Budget Analyst is unable to make a definitive calculation of the total costs and benefits to the City and County.

As will be discussed in the first section of this report, the Port faces the greatest level of financial risk under this proposal. The Port must acquire or lease a parcel of land from Caltrans to include in the ground lease for the ballpark site. Required environmental remediation, due to an expected high level toxic waste at the site, could range from a relatively low cost encapsulation solution to a very expensive, and perhaps prohibitive, cost. Also, as is explained in the section following this introduction, the Port does not have the resources to fund the pre-construction costs necessary to get the site in condition to construct the ballpark. Therefore, a critical point in the lease negotiations will hinge on how such pre-construction costs are financed.

Even after a long term lease is negotiated between the Port and the Giants, and approved by the Board of Supervisors, the project will require additional approval by State agencies who have regulatory responsibility over the Port. For example, the level of toxic cleanup that will ultimately be required will likely be subject to the approval of either the Regional Water Quality Control Board (RWQCB) or the California Environmental Protection Agency - Department of Toxics and Substance Control. In addition, the State Lands Commission will have final approval over the appropriateness of the proposed use of the Port property for a ballpark and over the economic terms of the lease between the Giants and the Port.

In contrast to the potential significant costs which could be incurred by the Port and the unknown outcome of the negotiations between the Port and the Giants regarding the potential cost reimbursements to the Port, based on the information available to the Budget Analyst at this time, it appears that the City's General Fund-supported operations will not incur significant additional costs. We estimate that such General Fund costs would include up to \$300,000 annually (above the costs of providing current service for baseball games at Candlestick Park) for additional Municipal Railway transit services and, perhaps, some additional traffic control costs, which cannot be estimated at this time, for the San Francisco Police Department and the Department of Parking and Traffic. However these additional General Fund costs may be more than offset by additional General Fund revenues in the amount of approximately \$1.0 million annually from increased Possessory Interest Taxes even after reducing such revenue by amounts necessary to finance tax increment bonds to contribute \$10 million to the project.

It should also be noted that if the Giants are no longer a tenant at Candlestick Park beginning with the baseball season in the year 2000, the Recreation and Park Department will lose approximately \$1.0 to \$1.2 million annually in rental income. However, this revenue loss will be offset by reduced debt service requirements of over \$1.7 million (as the Candlestick Park bonds are finally paid off in 1999) and operational savings of at least \$250,000 annually, for a total estimated benefit of approximately \$2.0 million annually and an estimated net benefit of up to \$1.0 million annually. However, this net benefit of up to \$1.0 million annually due to the loss of rental income offset by the savings from the final debt payment and reduced operating costs will not result directly from constructing a new ballpark.

Potential capital costs have been identified by a separate draft report on transportation issues prepared by the San Francisco County Transportation

Authority, for such items as new Muni buses for expanded service, street improvements and pedestrian overcrossings. Such capital items for expanded or new services are generally paid for from Sales Tax funds dedicated to transportation and transit and other Federal funding sources administered by the San Francisco County Transportation Authority. The Muni estimates that they have a sufficient number of buses to meet projections of initial demand for transit. The Authority's report also identified a potential need for a garage to provide structure parking in the vicinity of the proposed ballpark, which may not, according to the report, be eligible for State and Federal funds.

The Authority's report included no specific costs for the potential capital improvements.

I Port of San Francisco - Costs of Assembling and Delivering the Site to the San Francisco Giants

The Port of San Francisco could face the greatest financial risk, or the possibility of financial gain, under the San Francisco Giants' proposal to construct a ballpark at China Basin. Since the Port is an enterprise fund, this risk would not be shared with the City's General Fund unless the Mayor and the Board of Supervisors decided to utilize General Fund money to support any portion of the ballpark project. No such proposal has been made. The Port Commission, the Mayor, and the Board of Supervisors must approve the long term lease agreement between the Giants' and the Port, and any upfront spending by the Port to make the site ready for the ballpark. In addition, other regulatory agencies, such as the State Lands Commission, the Regional Water Quality Control Board (RWQCB), the California Environmental Protection Agency - Department of Toxics and Substance Control, and the City and County of San Francisco's Department of Public Health, will have some authority over such matters as the appropriateness of the proposed use of the site, the level of environmental cleanup that will be required, and the extent to which the Port receives fair market value in any long term lease negotiated with the Giants.

In order to deliver a site for the proposed ballpark to the Giants, the following must be accomplished, requiring expenditures that have not been estimated by the Port at this time:

- the property owned by Caltrans, consisting of approximately 155,000 square feet or 26.4% of the 13.5 acre proposed ballpark site (including both Port and Caltrans property), must either be acquired or leased by the Port;
- ten existing Port tenants may be relocated;
- the Port's central maintenance facility must be relocated;
- four structures on or proximate to Pier 46B, totaling 295,602 square feet must be demolished; and,
- toxic conditions on the site must be remediated.

According to the Port, whatever the costs of delivering the site to the Giants, the Port does not have sufficient funds to pay for the initial investment, and instead intends to negotiate so that the Giants would pay for such "upfront" expenses, and that such financial contributions would be recognized through the use of rent credits granted to the Giants over the term of the ground lease between the Port and the Giants. However, it is expected that all such costs are ultimately to be paid by the Giants through lease payments under the long term lease to be negotiated between the Port and the Giants. The negotiation between the Giants and the Port will not take place until the ballot measure is approved by the voters. Since no lease can be approved until a full environmental impact analysis has been prepared and reviewed, the Port has not provided any preliminary cost estimates to the Budget Analyst for the

proposed ballpark project. The Port intends to devote resources to examination of potential costs only if the March ballot measure is approved.

The Port has informed the Budget Analyst that only general discussions have been held with Caltrans concerning the property, and that the acquisition or leasing of the parcel by the Port appears to have no impediments other than the cost involved which, as noted above, must be advanced by the Giants. The Budget Analyst's report on the 1989 China Basin Ballpark Proposal included an estimate of up to \$11.0 million for the acquisition of the Caltrans property. Because the 1989 ballot measure was disapproved by the voters, no further discussion with Caltrans were held, and this matter was never resolved. However, land values may have changed significantly in the intervening years. As with all parcels that make up the proposed ballpark site, this value is largely dependent on the amount of environmental cleanup that will ultimately be required.

The Port currently has ten tenants on the site, nine of whom have leases with early termination clauses, requiring notices of one to six months with no financial liability to the Port. The tenth tenant, Douglas Broadcasting which leases antenna space on Pier 46B, has a lease termination date of December, 1997. The Port does not anticipate significant expenditures for relocating the ten tenants. The tenants are Adrian Studios, Douglas Broadcasting, Experimental Workshop, Flip Way Products (Maritime), Quayle & Company, Royal Charter (Maritime), South Beach Engine, Westar Marine Services, Knucklehead Inc., and American Airporter.

The Port's maintenance facility currently occupies 135,000 square feet at Pier 46B. The Port has no estimate of the cost to relocate its maintenance facility. If the ballot measure is approved, the Port will locate a suitable site to modify or build a new facility. The Port states that no further analysis of this matter will occur unless or until the ballot ordinance has been approved. In 1989, the Budget Analyst received estimates of up to \$7.0 million for such relocation costs. It is not known whether that \$7.0 million estimate included an amount to construct a new maintenance facility.

In addition to the costs related to the maintenance facility, the current estimate for demolition is not available. In 1989, the Budget Analyst was informed that such estimated demolition costs ranged from approximately \$2.0 million to \$7.0 million in order to demolish the four structures on and near to Pier 46B.

The single largest potential cost factor connected to the use of the 13.5 acre site for a new ballpark will be the need for toxic remediation of the site. The Budget Analyst has discussed the technical alternatives for remediation with independent engineering and environmental health experts. The toxic conditions on the site are the result of the characteristics of the bay fill materials that make up the location and the past uses of the site. The range of alternatives for remediation extend from an "encapsulation" option (or capping of the site prior to construction) to a type of remediation which would require expensive excavation and disposal of all toxic materials found at the China Basin location. Potential costs for encapsulation versus an environmental cleanup requiring significant offsite disposal of toxics, have been presented as approximately \$5.0 million for encapsulation, to as much as \$20 million or more for a full cleanup.

The Budget Analyst has learned that the encapsulation strategy is viewed as a viable alternative by engineering and environmental health professionals. Also, such an alternative, under certain "stable" conditions and for appropriate uses, is often seen as preferable to significant offsite disposal by regulatory authorities, since such a cleanup would disturb the toxics and require relocation of the toxic materials to other sites.

II. Municipal Railway (Muni) Operating Costs

The Budget Analyst asked the Muni to determine any increased transit costs, over and above costs incurred for existing ballpark service to Candlestick Park.

The net cost (increased expenditures less increased fare revenues) of present ballpark service, for the baseball season only, was estimated to be approximately \$352,000 in a 1993 study conducted by the former Public Utilities Commission Bureau of Finance, and approximately \$500,000 in a 1991 study by the same Bureau. It is apparent that the net cost of such services depend on attendance by riders who utilize available public transit. Revenues associated with this service are so-called "premium fares", and can vary widely with transit utilization.

The Muni currently uses \$500,000 as the estimate for the net cost of ballpark service.

Based on reviews of information developed by the Giants' transportation consultant on origins and destinations of Giants' game attendees, and projections, based on surveys, of Muni ridership to and from games at a China Basin Ballpark, the Muni estimates that increased transit service requirements for games to be played at the proposed China Basin Ballpark would be six additional Muni Metro trains and up to ten additional buses to provide "bridge service" from the Market Street corridor to the ballpark. The net cost of this level of service would approximate \$800,000 annually, or \$300,000 annually more than the net cost of service to Candlestick Park.

The Muni expects that current equipment availability is sufficient to meet the service demand that forms the basis of their \$800,000 cost estimate. The most difficult periods for service delivery in relation to overall transit demands will be pre-game service on weeknights (which may overlap with the afternoon and evening commute service) and weekday games, especially if such weekday games end after 3:00 p.m.

The Budget Analyst notes that the Giants' preliminary transportation analysis includes projections of transit utilization equal to between 14 and 20 percent of total attendance. 45 percent of game patrons originating from the City are expected to use public transit, while much smaller proportions (between zero and 14 percent) from locations outside the City are expected to use public transit annually in data presented by the Giants.

The Giants "Traffic, Parking and Transit Plan for the Ballpark at China Basin" has expressed a goal of achieving public transit utilization rates of 50 percent. Such an increase may result in service demand beyond that which has been quantified by the Muni in their initial analysis prepared for this report.

III. Recreation and Park Department, Candlestick Park - Changes in Operating Revenues and Costs

The loss of the Giants as a Candlestick Park tenant beginning with the year 2000 baseball season would mean decreased lease revenue to the Recreation and Park Department of between \$1.0 and \$1.2 million annually.

At the same time, the debt service for the Candlestick Park expansion bonds will be paid off during the 1999-2000 Fiscal Year. This debt service currently amounts \$1.75 million annually. Additional expenditure savings of approximately \$250,000 annually for conversion of the Stadium between football and baseball configurations will also be realized by the City if the Giants are no longer a Candlestick tenant.

Therefore, from the standpoint of the City's General Fund, the loss of lease revenue from the Giants will be more than offset by reduced debt service and identifiable savings in expenditures. However, many questions will have to be addressed with respect to Candlestick Park operations and the Recreation and Park Department budget. For example, it will need to be decided whether to simply leave Candlestick Park inactive during all but the football season, or market the venue for other events. Other issues of concern to the Recreation and Park Department involve the continued transfer of Hotel Tax revenue, originally designated for debt service, but now also serving as a significant source of operating funds, to the department.

While these issues are no doubt important to Recreation and Park Department operations, from the standpoint of the General Fund as a whole, the savings from decreased debt service and operations will offset the lost lease revenue from the Giants resulting in a net savings to the City of up to \$1.0 million annually. However, this savings will not be due to a new ballpark, but primarily a result of the final payment of the existing debt on Candlestick Park.

IV. San Francisco Police Department and Department of Parking and Traffic Operating Costs

The San Francisco Police Department (SFPD) assigns on duty Police Officers, paid at straight time wages, and higher ranking supervisors (Lieutenants and Sergeants) to baseball games at Candlestick Park for security purposes and traffic control before, during and after each baseball game. Similarly, the Department of Parking and Traffic (DPT) assigns Parking Control Officers (PCOs) and Supervisors (Senior PCOs) for traffic control.

The Giants pay the Police Department for security services inside the stadium during baseball games under the Department's Special Law Enforcement Services Program (SLES).

Typically, depending on attendance at specific ballgames, 12 PCOs, 3 Senior PCOs and up to 21 Police Officers (for a crowd of 50,000 or more) are assigned to a baseball game. Minimum staffing is typically 12 PCOs, 3 Senior PCOs and nine Police Officers (for crowds of 30,000 or less). Different combinations of Police Officers and Parking Control Officers are sometimes deployed due to staffing availability.

Since on duty Police Officers are typically deployed for security and traffic control, no incremental cost is incurred by the Police Department for baseball games. However, assignment to Candlestick Park during games results in a diversion of services from other police duties.

The cost of assigning PCOs to baseball games can be measured in one of two ways. If on duty PCOs are assigned, salary costs are at straight time rates, but revenue is lost because the PCOs are not issuing parking citations on their assigned beats. Therefore, it is more cost effective, in the opinion of the Department of Parking and Traffic to assign PCOs on overtime pay, thus maintaining parking citation revenue. A PCO paid at overtime rates costs approximately \$67 more per eight hour shift. However, the DPT estimates that use of each on duty PCO results in the loss of \$1,000 in parking citation collection revenue for an eight hour shift.

For the purposes of this analysis, we have chosen to use the cost of PCOs at overtime rates as a conservative estimate of the City's incremental cost for traffic control at Candlestick Park during baseball games. The DPT estimates that, for the 1996 baseball season, this cost will equal \$272,000.

The Budget Analyst has reviewed the proposed new ballpark site and the Giants' draft Traffic, Parking and Transit plan with enforcement personnel of the SFPD and DPT. We are informed that further information is necessary for the two departments to formulate specific deployment plans for traffic control and security outside of the proposed new ballpark.

However, based on the information received from the Giants' transportation consultant thus far, the SFPD and the DPT has concluded that the cost of traffic control and outside police security at the new facility will be at least equal to the cost of providing such services at Candlestick Park.

V. *Possessory Interest Taxes and Tax Increment Financed Contribution to Project of \$10 million through the Redevelopment Agency*

As previously mentioned in the introduction to this report, the Giants have one specifically identified element of public funding as a source in support of the \$255 million ballpark project. The San Francisco Redevelopment Agency will be asked to debt finance, using Tax Increment Bonds, a \$10 million contribution to the project. To be eligible for such financing, the proceeds from the Tax Increment Bonds must be used for a public purpose. The debt service under Tax Increment financing would be supported by new Possessory Interest Tax revenue that would be created by the project. Possessory Interest Taxes are payable by private businesses using public property for profit-making enterprises; such taxes are payable in lieu of property taxes which would normally be paid if the property were not publicly owned. The Assessor has estimated that the proposed ballpark project would produce \$3.5 million annually in increased Possessory Interest Tax revenue.

The Redevelopment Commission and the Board of Supervisors must first designate the ballpark site as a Redevelopment Survey Area. Following the environmental impact analysis, a redevelopment plan would be prepared for approval by the Redevelopment Commission and the Board of Supervisors.

The Redevelopment Agency estimates that the one time cost of preparing the redevelopment plan would approximate \$100,000. Debt service costs to finance the \$10 million ballpark project contribution (including necessary reserves and financing costs) would equal approximately \$920,700 annually over 30 years or a total estimated debt service of \$27.62 million. In addition, State law mandates that 20% of project area appropriations must be set aside as a contribution to housing programs. This amount would equal approximately \$184,200 annually or a total of \$5.526 million over 30 years. Remaining funds from Possessory Interest Tax proceeds will then be divided between the jurisdictions that receive property tax revenue, including the City and County of San Francisco, the San Francisco Community College District (SFCCD), the San Francisco Unified School District (SFUSD), the Bay Area Air Quality Control District (BAAQMD), and the Bay Area Rapid Transit District (BART).

The potential distribution of all estimated Possessory Interest Tax revenue, including the amount needed by the Redevelopment Agency to finance the \$10.0 million for the proposed ballpark project and necessary housing funds is shown in the table on the following page.

Distribution of Estimated Annual Possessory Interest Tax Revenue to be Realized as a result of the
Proposed Ballpark at China Basin

City and County of San Francisco - General Fund	\$ 1,031,400
Library Fund, Children's Fund, Open Space Fund, General City Bond Fund	373,664
Other Jurisdictions Receiving Local Property Taxes (SFCCD, SFUSD, BAAQMD, BART)	990,106
Redevelopment Agency - Debt Service	920,692
Redevelopment Agency - Housing Programs	<u>184,138</u>
Total Estimated Annual Possessory Interest Tax Revenue	\$ 3,500,000

Therefore, the total estimated Possessory Interest Tax revenue of \$3.5 million annually is more than adequate to fund Redevelopment Agency costs for the ballpark project of \$920,700 annually for debt service and \$184,200 annually for housing program contributions.

VI. *Potential Capital Costs Identified in the Draft Analysis Conducted by the San Francisco County Transportation Authority*

The San Francisco County Transportation Authority, at the request of the Board of Supervisors, who also serves as the Board of Directors of the Authority, issued a final draft of its "Strategic Analysis Report - China Basin Ballpark Transportation Issues" on February 22, 1996. This analysis included transportation, public transit, parking, and congestion management issues raised by the Giants' proposed Ballpark at China Basin.

The Transportation Authority staff identified potential increased operating costs for the Municipal Railway (Muni) in order to provide the level of increased service projected by the Giants' preliminary transportation analysis. These increased operating costs are addressed in the previous section of this report where the Muni has concluded that such costs will approximate \$800,000 annually (net of cash revenue) or \$300,000 more than the current cost of providing public transit services to Candlestick Park.

Potential capital costs are also discussed in the Transportation Authority's analysis. The analysis of the Authority does not specify the cost of the potential new capital items identified.

The source of funding for the potential capital items identified by the Transportation Authority would be from either the one half cent Sales Tax revenue used to fund most Transportation Authority activities (i.e. "Proposition B" funds) or other, primarily Federal funding sources for capital items that are administered by the Authority. For example, if the Muni were to determine that additional buses would be necessary for service expansion to, among other demands, provide for increased service to baseball games, the acquisition of the additional buses would be eligible for "Proposition B" funds since they would represent new services and not replacement equipment for basic services provided by the Muni prior to the passage of Proposition B.

The following excerpt from the final draft report of the Authority outlines the potential capital projects that have been identified. No cost estimates have been provided by Authority for the identified capital projects.

Likely capital costs include money for implementation of transit-only lanes on some South of Market streets (probably Third and Fourth), and there would probably be requests for Prop. B or other funds for pedestrian improvements, possibly including overcrossings at key intersections, to minimize pedestrian/auto conflicts and maximize roadway capacity, particularly after the game. A number of left-turn bays, street geometry modifications, and traffic signal improvements would probably be necessary at key intersections throughout South of Market, to keep traffic moving. Some of those improvements, particularly traffic signal projects, are already included in the Prop. B Streets and Traffic Safety Capital Development Program, prepared by the Department of Parking and Traffic. Depending on the results of more detailed operating analyses, there may be a need for

MUNI to expand its bus fleet. This could result in Prop B and other funding requests.

Finally, pending more detailed analyses, and depending on the future use of Mission Bay land, the City may eventually decide to build a parking structure to deal with ballpark and neighborhood needs. Although funding eligibility is not clear, the Authority would have to consider prioritizing state and federal funds for such a project.¹

As previously noted, the Muni has estimated that current bus availability is sufficient to meet initial transit demand.

¹ "Strategic Analysis Report - China Basin Ballpark Transportation Issues", page 8-9, Final Draft, February 22, 1996. Prepared by San Francisco County Transportation Authority.

VII. Estimated Economic Benefits of the Proposed China Basin Ballpark

The Board of Supervisors, by a separate motion, directed the Budget Analyst to include a review of projected economic benefits due to a new ballpark at a downtown location. On February 26, 1996, the Giants released a study² that updated a 1993 study of economic impacts of the Giants' baseball franchise in San Francisco.

The Budget Analyst has not verified the source data or the accuracy of computations in the updated report on economic impacts. We note that the methodology employed is commonly accepted economic techniques associated with the type of analysis often used to measure the economic benefits of sports franchises. The Giants' study measures the dollar differences of the direct and indirect economic impact of the Giants playing the baseball season in the year 2000 in a new China Basin Ballpark in contrast to projections based on the baseball season in 2000 being played at Candlestick Park. Direct impacts are based on estimates of spending at the ballpark itself, while indirect benefits incorporate the effects of economic multipliers which measure the extent to which direct spending creates income and additional spending within a local economy, thus "multiplying" the impact of direct spending.

The Giants' study also compares projections for Candlestick with a "stabilized" attendance pattern that would result after operation of a new ballpark for the first several years.

Summary of Economic Impact
(attendance and dollars in millions)

<u>Venue</u>	<u>Projected Attendance</u>	<u>Direct Economic Impact</u>	<u>Total Impact, Including Multiplier Effects</u>
Candlestick Park - 2000	1.94	\$42.5	\$84.6
China Basin Ballpark -2000	3.1	\$65.0	\$124.8
China Basins Ballpark - Stabilized Attendance	2.7	\$60.1	\$116.6

As can be seen from the above, the increased estimated direct and indirect economic impacts appear to largely result from the projected increased attendance level at the new ballpark.

² Economic Impacts of the San Francisco Giants in a New Downtown Ballpark. ERA - Economics Research Associates

The Giants' study also points out that the construction of a new ballpark would produce 3,655 jobs with an average duration of four months (during the 28 month construction period) at an average hourly wage, including benefits and taxes, of \$30. In addition, ballpark operations will employ between 1,800 and 2,150 persons per home game, including both full and part time Giants' employees and part time concessionaire employees.

VIII. Direct Revenue Payments to the City and County of San Francisco

Retention of the Giants in San Francisco will maintain certain direct revenues now being received by the City and County from the Giants playing at Candlestick Park. Using the information presented in the Giants' economic impact analysis, such direct revenue would increase by between \$471,000 and \$766,000 annually, depending on actual attendance, if a new downtown ballpark were to be constructed and attendance projections are realized.

These estimated revenue sources for the three scenarios analyzed in the Giants' economic impact report, as calculated by the Budget Analyst, are shown below.

	Candlestick Park - Year 2000	China Basin Ballpark - Stabilized Attendance	China Basin Ballpark- Year 2000
Attendance (millions)	<u>1.994</u>	<u>2.7</u>	<u>3.1</u>
Payroll Taxes ³	\$330,000	\$330,000	\$330,000
Sales Taxes ⁴	150,000	237,000	272,000
Parking Taxes ⁵	1,010,000	1,080,000	1,240,000
Admission Taxes - School Sports Program ⁶	<u>486,000</u>	<u>800,000</u>	<u>900,000</u>
Total	\$1,976,000	\$2,447,000	\$2,742,000

In addition, as noted previously, revenue will accrue to the City's General Fund and special funds for Possessory Interest Taxes, and lease payments will be made to the Port of San Francisco.

³ Based on average payments for 1994 and 1995, prorated to adjust for fewer games during strike shortened seasons.

⁴ Distributed to General Fund Unallocated Revenue, Public Safety Fund Revenue and Transportation Authority. Revenue is based on in-park concession sales only.

⁵ Assumes 95% of Candlestick attendees arrive by vehicle; 75% of attendees at a new ballpark arrive by vehicle. 40% of Parking Tax revenue accrues as a General Fund unallocated revenue, 40% is dedicated to the Municipal Railway operating budget and 20% to Senior Programs operated by the Commission on Aging.

⁶ \$0.25 per ticket for tickets priced at \$25 or less and \$0.50 for tickets priced at \$25.01 or more; appropriated to San Francisco Unified School District.

WRITTEN RESPONSE FROM THE SAN FRANCISCO GIANTS



JOHN F. YEE
VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

February 29, 1996

Mr. Ken Bruce
Budget Analyst's Office
San Francisco Board of Supervisors
1390 Market Street Suite 1025
San Francisco, Ca. 94102

Dear Ken:

The San Francisco Giants appreciate the opportunity to respond to the report issued by the Budget Analyst to the Board of Supervisors analyzing the costs and economic benefits of a new Giants ballpark at the China Basin location.

We agree with your overall findings that the benefits of the new ballpark far exceed any potential costs associated with the proposed China Basin ballpark. We also agree that no definitive cost estimate can be made at this time given the current information available. Your analysis also identifies other net economic benefits to the City besides the \$125 million that was reported in our economic impact report. Summary observations include:

* \$1.7 million positive impact to the City's General Fund is created per year.

A generation of \$1 million in annual tax revenue contribution to the General Fund associated with the new ballpark combined with a decrease of \$700,000 per year in the operating costs of General Fund departments (Municipal Railway, Recreation & Park Department, Parking & Traffic) in year 2000. This is available for use as the Board of Supervisors and Mayor deem appropriate.

* Besides the General Fund receiving a positive benefit; the increased possessory tax revenue generated by the new ballpark will also make the following contributions:

-- \$374,000 per year to the Library Fund, Children's Fund, Open Space Fund and General City Bond Fund for other City programs.

-- \$185,000 per year to the City's Affordable Housing Program for development of affordable housing.

* School Sports Tax. This will contribute \$800,000 to \$900,000 per year to fund the after school sports programs in San Francisco's public middle and high schools.

* The overall economic impact of the Giants presence in a new downtown ballpark is conservatively estimated to be \$117 to \$125 million annually.

Findings, continued

* The incremental impact to the City because of the relocation of the Giants to a downtown ballpark is \$32 million to \$40 million per year.

* The presence of the Giants in a new downtown ballpark will generate more than 6,400 jobs--3,655 trade jobs during construction of the ballpark and 2,800 jobs during operation of the new ballpark.

The magnitude of these benefits indicate the true net asset of the Giants' contributions to the City and County of San Francisco.

Besides the basic economic conclusions, we believe a balanced presentation of the proposed relocation must include the following points:

1. The Port will be relieved of existing risk of liability for contamination. Even if one assumes there are new risks or costs, those are shifted to the Giants in the ground lease with the Port.
2. The proposed ballpark creates substantial value in a site which is of, at best, questionable worth now.
3. We agree that any definitive cost estimate cannot be made at this time given the current information available. Speculation should not be made as to the ultimate outcome of the environmental review process and approved negotiated long term ground lease with the Port.

With the above summary observations, the following details our specific comments on the report.

Economic Benefit

Your report includes the results of the estimated economic benefits of the Giants in a new downtown ballpark. I want to amplify on several points that readers of your report should focus on:

* The economic impact of \$117 million to \$125 million is an annual positive contribution to the City and County of San Francisco. The incremental impact to the City because of the relocation of the Giants to a downtown ballpark is \$32 million to \$40 million per year.

* The economic impact of the 3,655 construction trade jobs created prior to the ballpark's opening will also generate economic benefits for the City.

Economic Benefit, continued

* The Giants presence is greater than the number of people employed at the ballpark. Total number of people employed is 2,800. 650 to 1,000 of these jobs are outside of the ballpark in related businesses such as restaurants, hotels and retail.

* The increased revenue you cite to the City General Fund are an addition to those impacts we identified in our Economic Impact Report.

The economic benefit numbers (jobs and millions of dollars to the economy) are significant, which will more than offset any costs.

Port Site -- Assembly and Delivering the Site

Your report states that the Port faces the greatest level of financial risk under the proposal to construct a ballpark at China Basin. However, the Port will actually be relieved of existing risk since costs or new risks will be shifted to the Giants in the ground lease. This is supported in your report by the statement that "the Port intends to negotiate so that the Giants would pay for such up front expenses...all such costs are ultimately to be paid by the Giants through lease payments..." We also agree that the Port Commission, the Mayor, and the Board of Supervisors must approve the lease agreement and any upfront spending by the Port.

The prospect of financial gain to the Port needs to be considered as the proposed ballpark creates substantial value in a site that will be cleaned up and which is of, at best, questionable worth now.

We have repeatedly stated there is no use of General Fund money to support any portion of the ballpark project. Therefore there is no need to make a statement that General Fund money to support the ballpark is subject to the Mayor and Board of Supervisors decision.

Again, no definitive cost estimate can be made at this time given the current information available. Speculation should not be made as to the ultimate outcome of the environmental review process and approved negotiated long term ground lease with the Port.

The Giants are unable to comment on the estimates cited in your report relating to the maintenance facility demolition (\$2 to \$7 million) and relocation (up to \$7 million). We feel that the presentation of these cost ranges is misleading until actual current studies of options are performed. The 1989 information may be the only one available, but the use of estimates from a study performed six years ago which we cannot review for completeness and relevancy should not be cited. The manner in which these will be handled today and how they will become part of the lease deal with the Port require study, discussion and approval. This is supported by the report saying "that the Port intends to devote resources to examination of potential costs only if the March ballot measure is approved."

Page 4
Mr. Ken Bruce
February 29, 1996

Port Site -- Assembly and Delivering the Site, continued

The Giants state that the reference to the 1989 estimate of \$11 million for acquisition of the Caltrans property cannot be depended upon as land values have changed significantly in the intervening years. Also, the value is dependent on the amount of environmental cleanup that will ultimately be required. We understand today that the value is far less than the number cited which was based on studies of a preliminary nature and not of a degree necessary to form a final valuation.

The Giants agree with your statement that the encapsulation strategy is viewed as a viable alternative in dealing with the cleanup of the site. However, the Giants do not know how a \$5 million value can be determined pending a complete EIR which will determine the type of remediation required. We feel that to throw out an amount and state that it is the cost is not responsible to the Giants in the evaluation of the project costs.

Summarizing this topic of the report, the business terms reached between the Port and the Giants will result in the mitigation of the risks that your report state and create a valuable asset for the Port.

Municipal Railway, Recreation & Park Department, Police, Parking & Traffic Operating Costs

The Giants are pleased to see your analysis that the City's General Fund supported operations are estimated to decrease \$700,000 in year 2000 on a net basis for these categories.

Possessory Interest Tax Revenue

You report an estimate of \$3.5 million in possessory interest tax revenue generated from the new ballpark. The actual amount will depend upon the final assessment to be determined once the project is completed.

The report indicates that the City General Fund will receive \$1 million from this tax revenue generated by the ballpark.

We are also pleased to see that the Library Fund, Children's Fund, Open Space Fund and General City Bond Fund will also receive an estimated \$374,000 per year along with the other jurisdictions benefiting from the ballpark tax payments. Affordable housing programs will receive \$185,000 per year.

Possessory Interest Tax Revenue, continued

Your analysis shows that the possessory tax contribution total after debt service and housing programs as a result of the new ballpark is \$2,395,000 per year. This is additional to the other types of tax revenue that result from the Giants operation such as payroll taxes, sales taxes, School Sports Program and parking taxes or other revenue payments.

Potential Capital Costs -- Draft Analysis - S. F. County Transportation Authority

The determination of potential capital costs is not specified as you state. The Giants encouragement and support for public transit use is one we are committed to. The need to expand the bus fleet is unknown at this time. Muni has stated that no additional buses are necessary as it has the capacity to serve the ballpark. However, we are pleased to know that should the need for public transit use require it, funds other than that coming from the General Fund could be available for the acquisition of additional fleet for the City.

Contrary to statements in the report, the Giants have not asked for the City to develop parking structures to deal with the ballpark requirements as we have stated that parking is already planned as part of our development program. Likewise, no pedestrian over crossing is contemplated as being required based on pedestrian requirements under study. The costs should be minimal in terms of implementing traffic street or signal modifications.

Direct Revenue Payments to the City and County of San Francisco

We agree that the level of direct revenue payments to the City will increase over the level that would be paid should the Giants continue to operate in the year 2000 due to the increased attendance a new ballpark would provide.

In addition to the payroll taxes, sales taxes, parking taxes and admission taxes (School Sports Program); the possessory interest tax payment and lease payment that the Giants will pay to the Port on the China Basin site need to be added to the payment amount made to the City.

Page 6

Mr. Ken Bruce

February 29, 1996

Other Giants Contributions to the City & County of San Francisco

Besides economic contributions, we are proud of and cannot ignore the charitable contributions made by our organization, some of which are:

After School Sports. The contribution of an estimated \$800,000 to \$900,000 per year in a new ballpark that will help support interscholastic sports for more than 8,000 San Francisco student-athletes.

Jr. Giants Baseball League. The Giants operate a baseball league for more than 1,500 San Francisco children primarily from the Bayview-Hunters Point, Visitacion Valley and Mission neighborhoods.

The Giants Community Fund. The Giants contribute more than \$100,000 annually to San Francisco non-profit agencies, including Centro de Latino, Bernal Heights Community Center, Edgewood Children's Center, Hamilton Family Center and Lighthouse for the Blind and Visually Impaired.

Until There's A Cure Day. The Giants Until There's A Cure Day raises more than \$125,000 annually for San Francisco AIDS programs.

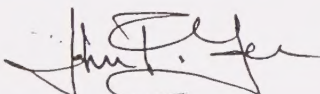
Summer Recreation. Each year, the Giants supply the San Francisco Recreation and Parks Department with more than 7,000 free tickets to be used by children participating in the City's summer recreation programs.

Closing

In closing, the Giants thank you for being able to respond to your report.

We are pleased with the conclusion that the proposed park at China Basin provides a positive, and indeed, quite favorable financial result to the City and County of San Francisco. We have always stated that we are more than baseball and are proud of our contributions we are able to make to the people of this city. I will be pleased to further assist you as we move forward on what will be an exciting and beneficial project for the City and County of San Francisco.

Respectfully Submitted,



John F. Yee

cc: Peter A. Magowan

Larry Baer

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